

April 2, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: **Notice of Ex Parte Communication**

WC Docket Nos. 02-33, 02-52, 01-337, 01-338, 03-266, 04-36

Dear Ms. Dortch:

On March 31, 2004, Steve Gray, James Thompson and Bill Courter met with Wireline Competition Bureau Chief Bill Maher, Jeff Carlisle, Michelle Carey, Brent Olson and Tom Navin regarding issues in the above-referenced docket concerning the possible impact on the facilities-based CLEC industry. We are also filing the attached document that was discussed and left behind during this meeting.

Very truly yours,

William H. Courter
Assistant General Counsel

Cc: Bureau Chief Bill Maher
Jeff Carlisle
Michelle Carey
Brent Olson
Tom Navin



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- **Forstmann Little & Co. today owns 58% of McLeodUSA**
- **Focused strategy on integrated communication services in a 25-state footprint covering Midwest, Southwest, Northwest and Rocky Mountains**
- **New, experienced management team has executed strategic initiatives that have substantially improved the operation of the business**
- **One of the nation's largest, independent competitive telecommunications services providers**
 - **Approximately 1 million business and residential access lines in service**
 - **65% UNE-L; 35% UNE-P/Resale**
 - **Approximately 395,000 customers at 4Q03**
 - **Approximately \$870 million of Telco revenue in 2003**
 - **Positive Telco EBITDA since 2Q02**



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~395,000 Customers



**Over 3,100
Employees**

- 38 ATM Switches
- 44 Voice Switches
- 1,003 Collocations
- 435 DSLAMs


- **Customer oriented thinking**
- **Simplified products... to sell, deliver, bill and service... packaged to provide value-added customer solutions**
- **Low cost, highly reliable, facilities-based network**
- **Streamlined business processes and the “right” systems infrastructure... scalable for growth**
- **Trained, committed workforce... high quality performance**
- **Teamwork, integrity and accountability in all we do**
- **Focus on profitable revenue growth & positive cash flow**

2003 Operating Highlights



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Significantly Improved Operational and Financial Performance


	<u>2002</u>	<u>2003</u>
• Customer satisfaction	85%	92%
• Billing ticket accuracy	99.3%	99.7%
• Network reliability	99.994%	99.999%
• Business line churn	2.5%	1.8%
• Total line churn	2.6%	2.1%
• Lines on network (UNE-L)	52%	65%
•  QUALITY certifications	0	3,100
• Revenue	\$992MM	\$869MM
• Gross margin %	37.4%	42.6%
• Cost savings	\$ 75MM	\$114MM
• Total SG&A	\$350MM	\$312MM
• Adjusted EBITDA	\$ 21MM	\$58MM

All key operational goals met... well positioned for future success

2004 Goals



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- Continued network quality and reliability
- Maintain customer satisfaction rating >90%
- Continued “first bill” review and accuracy > 99.7%
- Reduce customer churn
- Complete 2004  **QUALITY** training and certification program
- Launch new products: IAD phase 3 (VoIP) and managed services

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- Complete set of product offerings... Voice, Data and Internet
- Outstanding, experienced management team with proven track record
- Highly trained and committed workforce
- Outstanding operational performance...service delivery, billing and customer care
- Excellent reputation for high quality service
- Commitment to excellent, long-term customer relationships

**Cost effective solutions for all communications needs
with great service and no “surprises”**

Multiple proceedings on CLEC access to “Bottleneck” facilities



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- **271 Forbearance**
 - 271 approvals just completed
 - Basic premise . . . RBOC obligations continue
 - Independent obligation exists
- **VoIP**
 - Last-mile facilities cannot be replicated
 - Need Title II access to IP-enabled loop and transport facilities
 - Maintain existing ability to use collocations for VoIP
- **Fiber-to-the-Home**
 - Home means home -- not curb
 - Slippery slope
 - RBOCs have not curtailed investment
- **Broadband NPRM**
 - Residential only; Retail
 - Not wholesale or underlying facilities

**The individual impact, much less cumulative,
could end Intramodal competition**

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- **Loops** **Continued unbundled access and full use at TELRIC**
- **EELS** **Continued unbundled access and full use at TELRIC**
- **Transport** **Continued unbundled access and full use at TELRIC**
- **Switchport** **1 – 2 year transition @ TELRIC pricing in competitive markets**
- **Pricing** **UNEs at TELRIC**
 - “Just and Reasonable” for non-UNEs**
 - strict and expedited enforcement**
 - All pricing subject to imputation**
 - NRCs continue to be a barrier to facilities-based competition**



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